NOVEMBER/DECEMBER 2025

23PCM11/23PCP11 — BUSINESS FINANCE

Time : Three hours Maximum : 75 marks

SECTION A — (10 × 2 = 20 marks)

Answer ALL questions.

1. What is Time Value of money?
2. Define annuity.
3. What do you understand business risk?
4. Write a note on return on investment.
5. Briefly explain venture capital.
6. Define lease financing.
7. What is EOQ?
8. Define receivable management.
9. List two drawbacks of IRR.
10. Define capital budgeting.

15. (a) The company is considering the purchase of a new machine. The management wants t buy the machine only when its cost can be recovered in three years. The following information is available

(i) Cost of the machine Rs 4,50,000

(ii) Sales revenue estimated per year by the installation of new machine is Rs 6,00,000

(iii) Variable cost is 60% of sales

(iv) Annual fixed cost other than depreciation

Advice the management whether the machine can be purchased on the basis of three years recovery of cost.

Calculate the average rate of return on investment of Rs 4,50,000 when to life of the machine is 10 years with no scrap value at the end of the period. Assume tax at 50%

Or

(b) What are the techniques to evaluate multi-national capital expenditure proposals?

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

16. Kanna invested Rs 3,00,000 at 12% p.a for 6 years. What will be the value of investment after two years of interest is compounded (a) annually (b) semi-annually (c) Quarterly and (d) monthly. Which is the more beneficial to Kanna?

17. In what way can the relationship of risk and return be established? How do statistical methods help in measuring return on investment?

18. Analyze the various classifications of various sources of finance. Evaluate the factors affecting the choice of sources of startup financing.

19. A chemical company use Rs. 60,000 worth of materials per year. Each unit cost Re 1. The administration cost per purchases is Rs. 15 and carrying cost is 20% of the average inventory. The company currently has an optimum purchasing policy but has been offered a 0.2% discount of they purchase ten times per year. Should the offer be accepted? IF not what counter offer should be made?